

CITY OF ANACORTES
Skagit County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. Use Of Public Funds For Private Benefit And Falsification Of Accounting Records

Our audit of the financial records of the Police Department's Drug Investigative Fund revealed that at least \$15,000 in public funds was improperly used for personal benefit by Police Officer Dave R. Mead, fund custodian, during the period January 1, 1993, through May 6, 1993. Accounting records were falsified in an attempt to conceal this condition. There were no federal funds involved in this case. These public funds were misused as described below.

As the custodian of the Drug Investigative Fund, Mr. Mead borrowed these public funds for his own personal use without the knowledge or approval of city management officials. Specific details follow.

- a. We were unable to confirm accountability for these funds on February 12, 1993, because Mr. Mead was on leave due to a serious illness. A thorough search of Mr. Mead's office failed to locate the \$15,000 Drug Investigative Fund or the associated accounting records.
- b. We subsequently interviewed Mr. Mead at his home on March 18, 1993, and confirmed the existence of \$7,000 which reportedly represented a portion of the Drug Investigative Fund. Mr. Mead explained that these funds were retained in a safe at this location because he was in the middle of a pending case which required the use of the entire fund. He further explained that the remaining \$8,000 was being held by a confidential informant. At the time, there were no case file documents available for our review to confirm these conditions.
- c. At our request, Mr. Mead agreed to transfer accountability for this \$7,000 to another police officer. This exchange occurred on March 23, 1993.
- d. At our request, Mr. Mead agreed to prepare a case file document confirming the facts described above in this pending investigation. This document was prepared and signed by Mr. Mead on April 13, 1993.
- e. During a subsequent joint investigation by the Snohomish County Sheriff's Department and the Federal Bureau of Investigation, Mr. Mead admitted using the \$15,000 Drug Investigative Fund for personal purposes and falsifying the above case file document. He further stated that the pending Drug Investigative Fund case he described to us on March 18, 1993, did not exist. On May 6, 1993, Mr. Mead transferred the remaining \$8,000 to the Snohomish County Sheriff's Department.
- f. As a result of the above actions, Mr. Mead has made full restitution for the

amount of moneys he borrowed from the city's Drug Investigative Fund.

- g. On November 10, 1993, Mr. Mead pled guilty to first degree theft. He remains on extended sick leave and has requested disability retirement from the police department.

RCW 9A.56.030 states:

- (1) A person is guilty of theft in the first degree if he commits theft of:
 - (a) Property or services which exceed(s) one thousand five hundred dollars in value; or
 - (b) Property of any value taken from the person of another.
- (2) Theft in the first degree is a class B felony.

RCW 9A.60.020 states:

- (1) A person is guilty of forgery if, with intent to injure or defraud:
 - (a) He falsely makes, completes, or alters a written instrument or;
 - (b) He possesses, utters, offers, disposes of, or puts off as true a written instrument which he knows to be forged.
- (2) Forgery is a class C felony.

RCW 9A.20.021 states in part:

- (1) Felony. No person convicted of a classified felony shall be punished by confinement or fine exceeding the following:
 - (b) For a class B felony, by confinement in a state correctional institution for a term of ten years, or by a fine in an amount fixed by the court of twenty thousand dollars, or by both such confinement and fine:
 - (c) For a class C felony, by confinement in a state correctional institution for five years, or by a fine in an amount fixed by the court of ten thousand dollars, or by both such confinement and fine.

The following internal control weaknesses allowed this improper use of public funds to occur and not be detected by city management officials in a timely manner.

- a. There was an inadequate segregation of duties. Mr. Mead was solely responsible for the accountability of the Drug Investigative Fund. As a result, he was responsible for initiating, authorizing, and disbursing moneys from the fund, as well as reconciling the fund amount to the authorized balance.
- b. There was no periodic monitoring or supervisory review of the Drug Investigative Fund custodian's work.

We recommend the city claim the \$8,000 currently in the custody of the Snohomish County Sheriff's Department and seek recovery of the audit/investigation costs from their insurance bonding company. We further recommend the Washington State Office of the Attorney General and the Skagit County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State

Auditor as directed by RCW 43.09.260.

Bond coverage for the assistant police chief position is as follows:

American States Insurance Company
Public Employee Dishonesty
No. 01-F1-706862-2
\$25,000
April 29, 1993, to April 29, 1994
No. 01-F1-706862-1
\$25,000
April 29, 1992, to April 29, 1993

We also recommend the city:

- a. Review overall accounting controls for the drug investigative unit, correct the weaknesses outlined above, and implement an effective system of internal controls designed to ensure the protection of city assets.
- b. Notify the insurance bonding company of this claim.